

Legislative Property Tax Study Committee
September 12, 2007

- My name is Terry Wegener, Manager of Winnebago Cooperative Telephone Association. Winnebago Telephone is headquartered in Lake Mills, Iowa and provides telecommunication services to 17 communities in north central Iowa and Southern Minnesota.
- The Iowa Telecommunications Association (ITA), Rural Iowa Independent Telephone Association (RIITA), Qwest and Iowa Telecom are working collectively to address the property tax valuation inequities to the local telecom providers. I currently serve on the Iowa Telecommunications Association Board of Directors.
- Allow me to provide you with some history. Local telephone providers are centrally assessed by the Iowa Department of Revenue. The valuation as determined by the state is based upon the land, building, all machinery and equipment, revenues and equity of the telephone provider. These are all taken into consideration for the assessment of a so-called “property tax”. In all actuality, telephone companies pay a business valuation tax instead of a property tax.
- This methodology was created when telephone companies were monopolies, prior to competition entering the market place. Under current market conditions, local wireline telephone providers, wireless, long distance and cable TV companies are converging and competing to provide similar services with each other. Yet all are assessed and valued differently for property taxes.
 - Wireless companies are locally assessed on their towers and any attached buildings.
 - Long distance companies are assessed only on their land and buildings for anything purchased after 1996.
 - Cable companies are locally assessed on land, building, cable, subscriber data, and equipment.
- With the convergence of technologies, and companies providing both cable TV and telephone services over the same facilities, there is the potential for double taxation with the Dept. of Revenue and the local assessor both assessing and taxing the same land, building and equipment.
- The current assessment method is a disincentive for companies to install new technologies. Property tax assessment should be equitable regardless of the technology used to deliver the service in order to ensure future deployment and growth of advanced services.

- A study was prepared by an audit firm comparing Iowa's property tax rates for telecommunications to Minnesota:
 - In Iowa, the average property tax cost is \$2.72 per phone line per month.
 - In Minnesota, the average property tax cost is \$0.49 per phone line per month.

- Winnebago Telephone provides services in both Iowa and Minnesota. Our Iowa property tax is \$3.25 per phone line per month and in Minnesota it is 12 cents per phone line per month. This is a very drastic difference. In 2007, Winnebago will be spending approximately \$900,000 for a new switch. This investment could easily be located in Minnesota, where the property tax liability is much lower.

Advances in technology have changed the landscape between local telephone, wireless, long distance and cable TV companies in which we are competing against each other. Due to this competitive environment, there needs to be an equitable property tax system, one that does not place a burden onto one provider over another as does the current system.

- Our task force has worked with the telecommunication industry over the last two years for a viable solution and our proposal is all telecommunication companies should be valued, assessed and taxed similar to commercial property, on only our land and buildings.

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